

1 ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

2 In the Matter of the Money Transmitter License
3 of:

No. 07F- 120

-SBD

4 **TRAVELLERS CHEQUE ASSOCIATES**
5 **LIMITED AND JOHN A. SPENCE,**
6 **PRESIDENT** *ANNE C. SCHEPP, ASSISTANT*
7 *SECRETARY*
8 200 Vesey Street
9 New York, NY 10285

**ORDER TO CEASE AND DESIST;
NOTICE OF OPPORTUNITY FOR
HEARING; CONSENT TO ENTRY OF
ORDER**

Respondents.

8 The Superintendent of Financial Institutions for the State of Arizona (the "Superintendent"),
9 makes the following Findings of Fact and Conclusions of Law and enters the following Order
10 pursuant to Arizona Revised Statutes ("A.R.S.") § 6-137.

11 Pursuant to Titles 6 and 41 of the Arizona Revised Statutes and Title 20, Chapter 4 of the
12 Arizona Administrative Code ("A.A.C."), Respondents are hereby notified that they are entitled to a
13 hearing to contest this Order. The Request for Hearing shall be filed with the Arizona Department of
14 Financial Institutions (the "Department") pursuant to A.R.S. § 6-137(D) within **thirty (30) days** of
15 service of this Order and shall identify with specificity the action or order for which review is sought
16 in accordance with A.R.S. § 41-1092.03(B).

17 Pursuant to A.R.S. §§ 41-1092.01(D) and 41-1092.03(B), any person may appear on his or
18 her own behalf or by counsel. If Respondents are represented by counsel, the information required
19 by A.R.S. § 41-1092.03(B) shall be included in the Request for Hearing. Upon the filing of a
20 Request for Hearing, the Department shall issue a Notice of Hearing scheduling the matter for
21 hearing in accordance with A.R.S. § 41-1092.05. **Persons with disabilities may request**
22 **reasonable accommodations such as interpreters, alternative formats, or assistance with**
23 **physical accessibility.** Requests for special accommodations must be made as early as possible to
24 allow time to arrange the accommodations. If accommodations are required, call the Office of
25 Administrative Hearings at (602) 542-9826.

26 Respondents have the right to request an Informal Settlement Conference, pursuant to A.R.S.

1 § 41-1092.06, by filing a written request no later than **twenty (20) days** before the scheduled
2 hearing. The conference will be held within **fifteen (15) days** after receipt of your request. If an
3 Informal Settlement Conference is requested, a person with the authority to act on behalf of the
4 Department will be present (the "Department Representative"). Please note that in requesting an
5 Informal Settlement Conference, Respondents waive any right to object to the participation of the
6 Department Representative in the final administrative decision of this matter, if it is not settled. In
7 addition, any written or oral statement made by Respondents at such informal settlement conference,
8 including written documentation created or expressed solely for purposes of settlement negotiations,
9 are inadmissible in any subsequent administrative hearing. (*See* A.R.S. § 41-1092.06 for rules
10 regarding informal settlement conferences.) Conversely, any written or oral statement made by
11 Respondents outside an Informal Settlement Conference is not barred from being admitted by the
12 Department in any subsequent hearing.

13 If Respondents do not request a hearing, this Order shall become final. If Respondents
14 request a hearing, the purpose of the hearing shall be to determine if grounds exist for: (1) the
15 issuance of an order pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the
16 violative conduct and to take the appropriate affirmative actions, within a reasonable period of time
17 prescribed by the Superintendent, to correct the conditions resulting from the unlawful acts,
18 practices, and transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-
19 132; (3) the suspension or revocation of Respondents' license pursuant to A.R.S. § 6-817; and (4) an
20 order or any other remedy necessary or proper for the enforcement of statutes and rules regulating
21 escrow agents pursuant to A.R.S. §§ 6-123 and 6-131.

22 FINDINGS OF FACT

23 1. Respondent Travellers Cheque Associates Limited ("TCA") is a New York
24 corporation authorized to transact business in Arizona as a money transmitter, license number MT-
25 010695, within the meaning of A.R.S. §§ 6-1201, *et seq.* The nature of TCA's business is that of a
26 money transmitter within the meaning of A.R.S. § 6-1201(11).

2. Respondent ~~John A. Spence ("Mr. Spence")~~ ^{Anne C. Schepp "Ms. Schepp"} is the ~~President~~ ^{Assistant Secretary} of TCA, and, as such, is authorized to transact business in Arizona as an escrow agent, within the meaning of A.R.S. §§ 6-801, *et seq.*

3. On or around October January 29, 2007, the Department conducted an examination of TCA's business affairs. As a result of the examination, the Department discovered that TCA and Mr. Spence:

- a. Failed to prominently display their money transmitter license at their principal place of business;
- b. Failed to include in their contracts with all of their authorized delegates, an appendix containing a current copy of A.R.S., Title 6, Chapter 12;
- c. Failed to provide each authorized delegate with operating policies and procedures sufficient to permit compliance by the authorized delegate with the provisions of A.R.S., Title 13, Chapter 23 and Title 6, Chapter 12, specifically:
 - i. Respondents' policies and procedures failed to inform their authorized delegates of any requirements to file copies of Suspicious Activity Reports with the Arizona Attorney General's Office.
 - ii. Respondents' policies and procedures failed to inform their authorized delegates of the requirement to:
 1. keep the records created in connection with transactions of \$1,000 or more;
 2. keep said records for three (3) years, and
 3. turn the records over to the Arizona Attorney General's Office at the end of the three years;
- d. Failed to file their quarterly reports within forty-five (45) days following the end of each quarter, specifically:
 - i. Respondents filed the following quarterly reports at least two days late:

1. The quarterly report for the quarter ending June 30, 2003 was filed thirty-four (34) days late;
 2. The quarterly report for the quarter ending September 30, 2003 was filed four (4) days late; and
 3. The quarterly report for the quarter ending February 28, 2006 was filed eighteen (18) days late.
- e. Failed to file a list of authorized delegates, responsible individuals and locations within Arizona that have been added or terminated by Respondents within the fiscal quarter, specifically:
- i. The following locations were not added:
 1. Classic Travel of Scottsdale, 9393 N. 90th Street, #109, Scottsdale, Arizona 85258; and
 2. World Wide Travel, Inc., 2900 E. Broadway Blvd., #113, Tucson, AZ 85716;
 - ii. The following location was terminated:
 1. Ford's World Travel, 13593 Camino Del Sol, Sun City West, AZ 85373;
- f. Failed to maintain their records in a manner that enables the Superintendent to determine compliance, specifically:
- i. Provided the Department with incomplete data upon initial and subsequent requests;
 - ii. Failed to provide on request records required to sufficiently execute an examination;
 - iii. Respondents' Director of Licensing was informed by the Department on January 4, 2007 that all records, or complete duplicates of records covering their money transmitter activity from August 1, 2005 to July 30, 2006, must

- 1 be made available to the examiner. Thirty-three days notice is more than
2 sufficient time to gather all required documents for the examination;
- 3 iv. Respondents failed to make available all contracts that include authorized
4 delegates in Arizona to operate in full compliance of Chapter 12, Transmitters
5 of Money. The examiner asked several times during the examination for these
6 specific records but only some were provided. The contracts that were
7 provided are insufficient due to the requirement of A.R.S. Section 6-1208.B;
- 8 v. Respondents' Director of Licensing was unaware of how many Arizona
9 authorized delegates TCA has. The Director of Licensing was also unaware if
10 any of the authorized delegates in Arizona have and keep transactional
11 information;
- 12 g. Failed to give notice to the Superintendent as to the location where the records are
13 being maintained, specifically:
- 14 i. The Department's examiner traveled to New York, NY, to view Respondents'
15 records and could not ascertain from TCA's representative as to where the
16 records are actually being maintained.
- 17 ii. The representative indicated that the records are maintained in several places.
18 These include adequate records of customers' identities as required by this
19 section as it relates to transactions of \$1,000 or more and complete contracts
20 between the authorized delegate and the licensee;
- 21 h. Failed to keep adequate records of customers' identities as required for transactions of
22 \$1,000 or more;
- 23 i. Respondents failed to record the customers' occupations on all transactions;
24 and
- 25 ii. The electronic data provided by Respondents failed to include the required
26 identification information;

- 1 i. Failed to update their policies and procedures to include the changes to the Arizona
2 transmitters of money statutes passed into law in 2002;
- 3 i. The policies and procedures provided for the examination makes no mention
4 of the requirement to deliver the records created in relation to transactions of
5 \$1,000 or more to the Arizona Attorney General's Office after three years;
- 6 ii. The policies and procedures provided for the examination failed to mention
7 the requirement to send copies of any Suspicious Activity Reports regarding
8 transactions in Arizona to the Arizona Attorney General's Office;
- 9 iii. Respondents failed to create records of Arizona specific training for its
10 employees or authorized delegates;
- 11 j. Failed to deliver customer identification records or provide a retention letter to the
12 Attorney General.

13 4. These Findings of Fact shall also serve as Conclusions of Law.

14 **CONCLUSIONS OF LAW**

15 1. Pursuant to A.R.S. § 6-1201, et seq., the Superintendent has the authority and duty to
16 regulate all persons engaged in the money transmitter business and with the enforcement of statutes,
17 rules, and regulations relating to money transmitters

- 18 2. By the conduct set forth above, TCA and ^{Ms. Schepp}Mr. Spence violated the following:
- 19 a. A.R.S. § 6-1207(C) by failing to prominently display their money transmitter license
20 at their principal place of business;
- 21 b. A.R.S. § 6-1208(B) by failing to include in their contracts with all of their authorized
22 delegates, an appendix containing a current copy of A.R.S., title 6, Chapter 12;
- 23 c. A.R.S. § 6-1208(B) by failing to provide each authorized delegate with operating
24 policies and procedures sufficient to permit compliance by the authorized delegate
25 with the provisions of A.R.S., Title 13, Chapter 23 and Title 6, Chapter 12;

26 ...

- 1 d. A.R.S. § 6-1211 by failing to file their quarterly reports within forty-five (45) days
2 following the end of each quarter,
- 3 e. A.R.S. § 6-1211 by failing to file a list of authorized delegates, responsible
4 individuals and locations within Arizona that have been added or terminated by
5 Respondents within the fiscal quarter,
- 6 f. A.R.S. § 6-1213(A) by failing to maintain their records in a manner that enables the
7 Superintendent to determine compliance with A.R.S., Title 6, Chapter 12;
- 8 g. A.R.S. § 6-1213(C) by failing to give notice to the Superintendent as to the location
9 where the records are being maintained;
- 10 h. A.R.S. § 6-1241(E) by failing to keep adequate records of customers' identities as
11 required for transactions of \$1,000 or more;
- 12 i. A.R.S. § 6-1241(G) by failing to Failed to update their policies and procedures to
13 include the changes to the Arizona transmitters of money statutes passed into law in
14 2002;
- 15 j. A.R.S. § 6-1241(I) and Department's Regulatory Bulletin MT-05-01, dated
16 September 2005, by failing to deliver customer identification records or provide a
17 retention letter to the Attorney General.

18 3. The violations, set forth above, constitute grounds for: (1) the issuance of an order
19 pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the violative conduct and
20 to take the appropriate affirmative actions, within a reasonable period of time prescribed by the
21 Superintendent, to correct the conditions resulting from the unlawful acts, practices, and
22 transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-132; (3) the
23 suspension or revocation of Respondents' license pursuant to A.R.S. § 6-1210; and (4) an order or
24 any other remedy necessary or proper for the enforcement of statutes and rules regulating money
25 transmitters pursuant to A.R.S. §§ 6-123 and 6-131.

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1 or officer of this state or subdivision thereof from instituting other proceedings as may be
2 appropriate now or in the future.

3 6. ^{Anne C. Schepp} John A. Spence, on behalf of Travellers Cheque Associates Limited and ^{herself} himself;
4 ^{she} represents that ^{Assistant Secretary} he is the President, and that, as such, has been authorized by Travellers Cheque
5 Associates Limited to consent to the entry of this Order on its behalf.

6 7. Respondents waive all rights to seek judicial review or otherwise to challenge or
7 contest the validity of this Cease and Desist Order.

8 DATED this 13 day of August, 2007.

9
10 By Anne C. Schepp
11 John A. Spence, ~~President~~ ^{Assistant Secretary} Anne C. Schepp,
12 Travellers Cheque Associates Limited
13
14

15 ORIGINAL of the foregoing filed this 8
16 day of May, 2007, in the office of:

17 Felecia A. Rotellini
18 Superintendent of Financial Institutions
19 Arizona Department of Financial Institutions
20 ATTN: June Beckwith
21 2910 N. 44th Street, Suite 310
22 Phoenix, AZ 85018

23 COPY mailed/delivered same date to:

24 Craig A. Raby, Assistant Attorney General
25 Office of the Attorney General
26 1275 West Washington
Phoenix, AZ 85007

Robert D. Charlton, Assistant Superintendent
Mark J. Murphy, Senior Examiner
Arizona Department of Financial Institutions
2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

...

1 AND COPY MAILED SAME DATE by
2 Certified Mail, Return Receipt Requested, to:

3 John A. Spence, President
4 Travellers Cheque Associates Limited
5 200 Vesey Street
6 New York, NY 10285
7 Respondents

8 Anne C. Schepp, Director of Licensing
9 200 Vesey Street – 30th Floor
10 New York, NY 10285-3662
11 Respondent

12 CT Corporation System
13 Statutory Agent for:
14 Travellers Cheque Associates Limited
15 2394 E. Camelback Road
16 Phoenix, AZ 85016

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18 1006935; CPA07-105